

science to conduct a comprehensive study regarding the effects of medical savings accounts in the small group market on—

- (1) selection, including adverse selection.
- (2) health costs, including any impact on premiums of individuals with comprehensive coverage,
- (3) use of preventive care,
- (4) consumer choice.
- (5) the scope of coverage of high deductible plans purchased in conjunction with such accounts, and
- (6) other relevant items.

Report
s.

A report on the results of the study conducted under this subsection shall be submitted to the Congress no later than January 1, 1999.

Subtitle B—Increase In Deduction for Health Insurance Costs of Self-Employed Individuals

SEC. 811. INCREASE IN DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(1) is amended to read as follows:

"(1) ALLOWANCE OF DEDUCTION.—

"(A) IN GENERAL.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the applicable percentage of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined under the following table:

taxable years beginning The applicable
percentage is—
in calendar year—

1997	40
percent	
1998	
through 2002	
45 percent	
2003	50
percent	
2004	60
percent	
2005	70
percent	
2006	or
thereafter	
80 percent.	

26 USC 104
note.

- (7) EXCLUSION FOR AMOUNTS RECEIVED
UNDER CERTAIN SELF-
INSURED PLANS.—Paragraph (3) of section
104(a) is amended by
inserting "(or through an arrangement having
the effect of accident
or health insurance)" after "health
insurance".
- (8) EFFECTIVE DATE.—The amendments
made by this section
shall apply to taxable years beginning after
December 31, 1996.